



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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May 27, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

Budget Conference Committee

Yesterday, the Assembly passed SB 77 by a majority vote for the purpose of moving a vehicle into the Budget Conference Committee. The bill is a shell with no content other than a statement of the Legislature's intent to pass a Budget Act. Before adjourning, the Senate refused concurrence on SB 77, thereby sending the bill to Conference. The Senate Budget Conferees are: Senators Wesley Chesbro (Senate Budget Committee Chair), Denise Ducheny (Senate Budget Subcommittee No. 3 Chair), and Dennis Hollingsworth (Senate Budget Committee Vice-Chair). The Assembly has named the following Budget Conferees: Assembly Members John Laird (Assembly Budget Committee Chair), Judy Chu (Assembly Appropriations Committee Chair), and Rick Keene (Assembly Budget Committee Vice-Chair). The Budget Conference Committee is scheduled to begin on June 1, 2005.

Our Sacramento advocates report that budget staff in both Houses are now working to compile the Conference Committee Agenda which is a detailed, item-by-item comparison between the Senate and Assembly versions of the Budget. The Agenda serves as the Conference Committee's roadmap for reconciling the differences between the Senate and Assembly versions of the Budget.

Commission on State Mandates Hearing

AB 3632 Mandate for Special Education Students. Yesterday, the Commission on State Mandates met to address reimbursement of AB 3632 mental health services provided to children in special education programs. SB 1895 (Burton) of 2004 required the Commission to reconsider its 1990 decision regarding certain costs for the program, and its parameters and guidelines for calculating State reimbursement costs. The Commission also considered a consolidated test claim filed by Los Angeles and Stanislaus Counties on June 30, 2003 seeking reimbursement for services provided as a result of changes in law and regulation from 1986 to the present. Leonard Kaye of the Auditor-Controller's Office, Paul McIver of the Department of Mental Health, and Pat Ryan, Executive Director of the County Mental Health Directors Association, provided testimony.

The Commission unanimously found that AB 3632 is a mandate and that counties should be reimbursed for a broader number of activities and services than had been allowed in the past, including medication monitoring and in-state room and board. The Commission will revise the parameters and guidelines to address these changes and will work with counties to provide direction regarding future claims and retroactive reimbursement.

Although it is not yet clear what the full impact of this decision will be on the County, the Auditor-Controller indicates that medication monitoring and in-state room and board costs alone would be expected to result in annual reimbursement of \$2 million and \$8 million, respectively.

Special Session Actions

The Assembly's Special Session Committee on the Public Sector heard five proposed pension reform measures on May 25, 2005. Two bills by **Assembly Member Richman, ACA X1 8** and its companion **AB X1 3**, establishing defined contribution and hybrid public employee pension plans were defeated by the Committee on a vote of 2 to 4.

AB X1 4 (Torrico), which would establish Taxpayer Risk Reduction Accounts (TRRA) in PERS and in 1937 County Employee Retirement law systems intended to be trust accounts for receipt of contributions in any year that employer normal contribution amounts are not needed by a pension system, was approved on a vote of 4 to 2. Although there was no formal opposition, CSAC testified at length, pointing out several issues that need to be addressed, including whether establishment of a TRRA represents a mandatory new expense and therefore a reimbursable State-mandated cost for local agencies. The author committed to working with affected entities to resolve potential problems. AB X1 4 proceeds to the Assembly Appropriations Committee.

AB X1 5 (Torrico), which would tighten civil and criminal provisions for the commission of fraud in obtaining retirement benefits, was approved on a vote of 4 to 2. It proceeds to the Assembly Appropriations Committee.

AB X1 6 (Evans), which would make numerous changes to the definition of final compensation for retirement purposes and to disability retirement statutes, was approved by the Committee on a vote of 4 to 2. There was no formal opposition to this lengthy, complex and highly technical measure, because it had been completely rewritten within one week of its hearing. CSAC testified at great length, pointing out problems and issues, including many that had been identified by Los Angeles County including the ambiguous meaning of both final compensation and caps on service-connected disability retirement benefits. The author pledged to work with affected entities to resolve potential negative impacts as the measure moves ahead. AB X1 6 proceeds to the Assembly Appropriations Committee.

As indicated in a prior update, there does not yet appear to be a clear strategy on how to address pension reform issues. Many feel that resolution, if any, will come from "Big 5" discussions over the course of the summer.

Status of County-Interest Legislation

County-supported SB 57 (Alarcon) passed the Senate Appropriations Committee Suspense File on May 26, 2005 by a vote of 8 to 5. SB 57 would augment the Emergency Medical Services Fund by allowing counties to collect an additional \$2 penalty assessment on every \$10 penalty for all criminal offenses and moving violations. Senator Alarcon recently amended the bill to allow counties to recoup up to 10 percent of their administrative costs, which is consistent with existing law, rather than the five percent previously stated in the bill. SB 57 now moves to the Senate Floor.

County-supported SB 267 (Romero) passed the Senate Appropriations Committee's Suspense File on May 26, 2005 by a vote of 13 to 0, and it now proceeds to the Senate Floor. **SB 267** would restructure the Trauma Care Fund to require regional distribution of funds based on the statewide proportion of trauma care services provided in a region, repeal the requirement that trauma centers receive a minimum level of funding, and require the grants to be awarded on a competitive basis

County-supported SB 399 (Escutia), which would allow a county to assert a lien against a recovery that injured Medi-Cal eligible patients receive from a third party, passed the Senate on May 26, 2005 by a vote of 23 to 13. The bill now moves to the Assembly.

County-supported SB 516 (Ortiz), requiring fire sprinklers in residential care facilities with six or fewer residents, was held on the Senate Appropriations Committee Suspense File.

Each Supervisor
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We will continue to keep you advised.

DEJ:GK
DW:SZ:hg/n

c: Executive Officer, Board of Supervisors
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